

Message Text

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ACTION XMB-04

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 6151

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E.O. 11652: NA

TAGS: EFIN EGEN ID

SUBJECT: BANK INDONESIA B/P PROJECTIONS PROVIDED EXIMBANK

REF: (A) JAKARTA 7677 (B) JAKARTA 9160 (C) STATE 173843

1. SUMMARY. PERSISTENT EXIM BANK REQUEST FOR FINANCIAL DATA BEYOND THAT REQUIRED BY COMMERCIAL BANKS AND TURN DOWN OF PC ON 21 GE LOCOMOTIVES HAVE CREATED BOTH DIPLOMATIC AND COMMERCIAL PROBLEMS WITH INDONESIANS. END SUMMARY

2. ON AUGUST 11, EMBASSY RECEIVED COPY OF EXIM BANK TELEX STATING BANK NOT PREPARED TO CONSIDER GOI APPLICATIONS FOR FINANCIAL ASSISTANCE TO PURCHASE 21 GE DIESEL ELECTRIC LOCOMOTIVES. EXIM TELEX WAS SENT GOI OFFICIALS JULIANTO, SALEH AFFIF, ISMAEL, ADIWOSO, AND STEIN OF KUHN-LOEB. LETTER WHICH REFERS TO MINISTRY FINANCE'S APPLICATION OF JUNE 30, 1976 STATES DECISION BASED "PRIMARILY ON LACK OF ECONOMIC DATA ON REPUBLIC OF INDONESIA." LETTER THEN REITERATES QUESTIONS LISTED REF C AND PREVIOUSLY SENT BY EMBASSY TO BANK INDONESIA.

3. THIS IS LATEST MOVE BY EXIM BANK TO OBTAIN EXTENSIVE DATA
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ON INDONESIAN FINANCES. EMBASSY FULLY APPRECIATES EXIM DESIRE

TO HAVE AS MUCH DATA AS POSSIBLE TO SUPPORT LOANS TO GOI. EXIM BANK, HOWEVER, APPEARS TO BE GOING BEYOND THAT WHICH IS REQUIRED BY OTHER LENDERS AND BY US COMMERCIAL BANKS WHICH CONTINUE TO SHOW CONFIDENCE IN INDONESIA.

4. ON AUGUST 10, E/CM COUNSELOR SPOKE WITH ARIFIN SIREGAR, MANAGING DIRECTOR BANK INDONESIA (BI), WITH REGARD TO STATUS QUESTIONS RAISED REF C. SIREGAR SAID THAT BI HAD BEEN RECEIVING URGENT REQUESTS FROM GOI EMBASSY WASHINGTON FOR SAME DATA FOR EXIM, AND BI HAD ADVISED ITS EMBASSY THAT REQUEST WAS "UNDER ACTIVE CONSIDERATION." SIREGAR FURTHER REPORTED THAT QUESTIONS HAD BEEN REFERRED TO BANK GOVERNOR RACHMAT SALEH AND OTHER "POLICY MAKERS" WHO WERE FRANKLY "UPSET BY THE STYLE OF THE QUESTIONS."

5. DESPITE EXPRESSION BY EXIM IN LETTER OF THE VALUE IT ATTACHES TO ITS TIES WITH INDONESIA AND ITS HOPE TO PARTICIPATE IN THIS AND OTHER PROJECTS, ENTIRE TONE SMACKS OF OVERBEARING DEMAND AND IGNORES COMPLETELY SUPERIOR EFFORT MADE BY BI TO MEET REQUEST FOR DATA AS TRANSMITTED BY REF A AND SUBSEQUENT AIRGRAM. TO BEST EMBASSY'S KNOWLEDGE EXIM IS ONLY INSTITUTION OF ITS TYPE PROVIDING CREDITS TO INDONESIA THAT HAS INSISTED ON SUCH DATA AND RECEIVED IT.

6. I FIND EXIM'S ACTION AND REQUEST DISTURBING, PARTICULARLY IN LIGHT OF FACT THAT ITS ANALOGOUS AGENCIES IN UK, FRANCE, GERMANY, JAPAN, CANADA, INDIA, AND PROBABLY OTHERS ARE NOT ONLY CONTINUING TO PROVIDE FINANCIAL SUPPORT TO THEIR EXPORTERS TO TAKE ADVANTAGE OF EXPORT OPPORTUNITIES RELATIVE TO INDONESIA'S DEVELOPMENT PROGRAM, BUT ARE EXPANDING THEIR EFFORTS IN THIS RESPECT. FURTHERMORE, PRIVATE AMERICAN COMMERCIAL BANKS HAVE JUDGED INDONESIA'S FINANCIAL MANAGEMENT TO BE OF SUCH CAPABILITY AND THE PROSPECTS FOR REPAYMENT SO ASSURED THAT THEY ARE NOT ONLY CONTINUING THEIR LENDING ACTIVITIES BUT ACTIVELY, AGGRESSIVELY SEEKING ADDITIONAL OPPORTUNITIES TO LEND BOTH TO GOVERNMENT AND PRIVATE SECTOR IN INDONESIA. IF EXIM IS INDEED CONCERNED ABOUT FULFILLING ITS OBJECTIVES AS SET OUT IN EXPORT-IMPORT BANK ACT OF 1945, AS AMENDED THROUGH JANUARY 4, 1975, AND QUOTED IN BANK'S 1975 ANNUAL REPORT, I AM CONFUSED ABOUT THIS MOST RECENT LIMITED OFFICIAL USE

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ACTION REGARDING GOI REQUEST FOR 21 GE LOCOMOTIVES FUNDING. IT IS POSSIBLE THAT THIS ACTION WILL SEE GOI RECONSIDERATION OF AWARD OF INITIAL 21 LOCOMOTIVES UNDER IBRD FINANCING TO GE WITH DOUBLE LOSS TO US EXPORTS AND EMPLOYMENT AND NEGATIVE IMPACT ON OUR BALANCE OF PAYMENTS.

7. GOI'S MANAGEMENT OF ITS FINANCIAL PROBLEM STEMMING FROM PERTAMINA OVER-EXTENSION HAS THUS FAR BEEN EXEMPLARY

AS NOTED BY MORGAN GUARANTY IN ITS REPORT TO SYNDICATE MEMBERS IN JUNE 1976. THERE IS NO REASON TO BELIEVE THAT THERE WILL BE ANY CHANGE IN THAT MANAGEMENT.

8. COMMENT: WHILE RECOGNIZING INDEPENDENT STATUS OF EXIM BANK AND NEW POLICIES AVOIDING COMPETITION WITH COMMERCIAL SOURCES, WE CANNOT IGNORE FACT THAT BANK IS LOOKED UPON AS USG AGENCY AND THAT TONE AND SUBSTANCE ITS COMMUNICATIONS AFFECT OUR BROADER RELATIONSHIPS. WE WOULD LIKE DEPARTMENT'S URGENT HELP IN REQUESTING RECONSIDERATION OF EXIM'S NEED FOR DETAILED INFORMATION WHICH INDONESIANS THEMSELVES MAY NOT YET HAVE. WE CANNOT ASK EXIM TO TAKE UNDUE RISKS, BUT I BELIEVE WE CAN LEGITIMATELY ASK EXIM TO SEEK MORE DIRECT DIALOGUE WITH INDONESIA AND TO TAKE INTO CONSIDERATION CONFIDENCE DEMONSTRATED BY PRIVATE BANKS. DIFFICULTIES WE HAVE HAD WITH SUCH EXPORT OPPORTUNITIES AS SUGAR MILLS AND WITH INCREASED SENSITIVITY TOWARD ATTITUDES OF DEVELOPED COUNTRIES CAN ONLY BE FURTHER AUGMENTED BY ACTIONS OF THIS TYPE ON EXIM'S PART.
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